

Message Text

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PAGE 01 DACCA 02807 040557Z
ACTION EB-08

INFO OCT-01 NEA-11 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 ICA-11 AGRE-00 AID-05 CIAE-00
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FM AMEMBASSY DACCA
TO SECSTATE WASHDC 9164
INFO USMISSION GENEVA
AMEMBASSY NEW DELHI

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E.O. 11652: N/A
TAGS: UNCTAD ETRD BG
SUBJECT: BANGLADESH AND UNCTAD JUTE TALKS

REF: GENEVA 05834

1. SUMMARY. U.S. MISSION GENEVA'S REPORT ON THE APRIL 10-14 MEETING OF THE UNCTAD WORKING GROUP OF JUTE AND JUTE PRODUCTS (REFTEL) SUGGESTS THAT THESE TALKS MAY BE LEADING TO AN IMPASSE OR CONFRONTATION BETWEEN THE UNITED STATES AND BANGLADESH OVER THE ISSUE OF STABILIZATION. AN EMBASSY APPROACH TO THE BDG TO ENCOURAGE A MORE FLEXIBLE AND REALISTIC APPROACH MIGHT BE USEFUL AT THIS STAGE. BEFORE DOING SO WE WOULD APPRECIATE FURTHER BACKGROUND AND GUIDANCE ON U.S. POLICY FROM THE DEPARTMENT. END SUMMARY.

2. GENEVA'S REFTEL REPORTS THAT BANGLADESH'S RIGID "ALL OR NOTHING" STANCE AT THE RECENT UNCTAD JUTE SESSION MIGHT LEAD TO ISOLATION OF U.S. (WHILE EC APPEARS TO BE MORE ACCOMMODATING), FAILURE TO ACHIEVE AGREEMENT ON USEFUL

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PAGE 02 DACCA 02807 040557Z

NON-STABILIZATION MEASURES, POSSIBLE CONFRONTATION AND BREAKUP OF TALKS.

3. WE AGREE WITH REFTEL THAT AMBASSADOR KIBRIA OF BDG MISSION IN GENEVA, WHO LED THE BDG DELEGATION AT THE APRIL TALKS, MAY HAVE BEEN ACTING WITHOUT CLEAR INSTRUCTIONS. WE HAVE THE IMPRESSION THAT KIBRIA'S STRIDENT,

POLITICAL APPROACH TO THE JUET TALKS DOES NOT ACCURATELY REFLECT THE VIEWS OF THE JUTE MINISTRY IN DACCA. THE MORE PRAGMATIC, REASONED APPROACH OF JUTE SECRETARY CHISHTY, WHO HAS ATTENDED PREVIOUS MEETINGS IN GENEVA, IS MORE CHARACTERISTIC OF BDG'S APPROACH TO JUTE, WHICH IS VITALLY IMPORTANT TO BANGLADESH'S ECONOMY. IN TALKS WITH CHISHTY, OFFICIALS OF BANGLADESH JUTE EXPORT CORPORATION, BANGLADESH JUTE MILLS CORPORATION AND JUTE TRADERS, WE HAVE GAINED THE IMPRESSION THAT BDG IS GENUINELY INTERESTED IN INTERNATIONAL ARRANGEMENTS FOR RESEARCH AND DEVELOPMENT, MARKET PROMOTION AND COST CUTTING, AS WELL DI STABILIZATION, ALTHOUGH IT HAS NOT GIVEN MUCH THOUGHT TO SPECIFIC MEASURES. WE DOUBT THAT BDG REALLY WANTS TO PUSH AN "ALL OR NOTHING" APPROACH THAT WOULD CREATE A CONFRONTATION WITH THE U.S., A MAJOR CUSTOMER, AND RISK A BREAKUP OF THE JUTE TALKS.

4. MOREOVER WITH RESPECT TO STABILIZATION, WE BELIEVE THE BDG'S THINKING IS TEMPTED BY KNOWLEDGE THAT JUTE MUST BE COMPETITIVE WITH SYNTHETICS TO SURVIVE, AND THAT A STABILIZATION SCHEME WHICH SUBSIDIZES JUTE AT THE EXPENSE OF CONSUMERS WOULD DRIVE THEM AWAY FROM JUTE. THIS YEAR RAW JUTE PRICES HAVE SOARED ABOVE THE FAO INDICATIVE PRICE CEILING DUE TO VERY STRONG DEMAND AND A DISAPPOINTING CROP. BANGLADESHI EXPORTERS AND OFFICIALS ARE CONCERNED ABOUT THE THREAT OF SUCH HIGH PRICES

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PAGE 03 DACCA 02807 040557Z

TO THE MARKET IN THE LONG RUN.

5. ACTION REQUESTED. IN THE INTEREST OF REINFORCING THE CENTRAL TENDENCY IN THE BDG'S JUTE POLICY, WHICH WE THINK IS PRAGMATIC, AND IN AVERTING CONFRONTATION IN THE POLITICIZED ATMOSPHERE OF UNCTAD AND GENEVA, ESPECIALLY IF KIBRIA CONTINUES TO PLAY A LEADING ROLE, IT WOLD BEHELPFUL FO HE EMBASSY TO URGE THE BDG TO CONCENTRATE ON AREAS WHERE SUCCESSFUL NEGOTIATIONS MAY BE POSSIBLE. TO MAKE OR PRESENTATION MORE EFFECTIVE, WE NEED MORE SPECIFIC GUIDANCE FROM THE DEPARTMENT ON U.S. POLICY ON THE MAJOR ISSUES: STABILIZATION FOR RAW JUTE AND JUTE GOODS, THE EC PROPOSALS FOR PARTICAL STABILIZATION AND OTHER MEASURES TO ENHANCE THE POSIIION OF JUTE SUCH AS RESEARCH AND DEVELOPMENT, MARKET PRO- MOTION AND COST REDUCTION. WHAT IS THE PROSPECT FOR EFFECTIVE HELP ON RESEARCH AND DEVELOPMENT AND MARKET PROMOTION AND THROUGH WHAT MECHANISM MIGHT IT BE PRO- VIED? WE RECOGNIZE THAT U.S. POLICY IS STILL EVOLVING IN THIS AREA BUT WOULD APPRECIATE ADVICE ON LATEST VIEWS. WE UNDERSTAND THE DEPARTMENT HAS UNDERTAKEN AN ECONOMETRIC ANALYSIS OF JUTE STABILIZATION. WE WOULD

APPRECIATE RECEIVING THIS STUDY AS WELL AS OTHER
ANALYTHICAL AND BACKGROUND MATERIALS ON JUTE THAT MAY
BE AVAILABLE.
SCHNEIDER

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